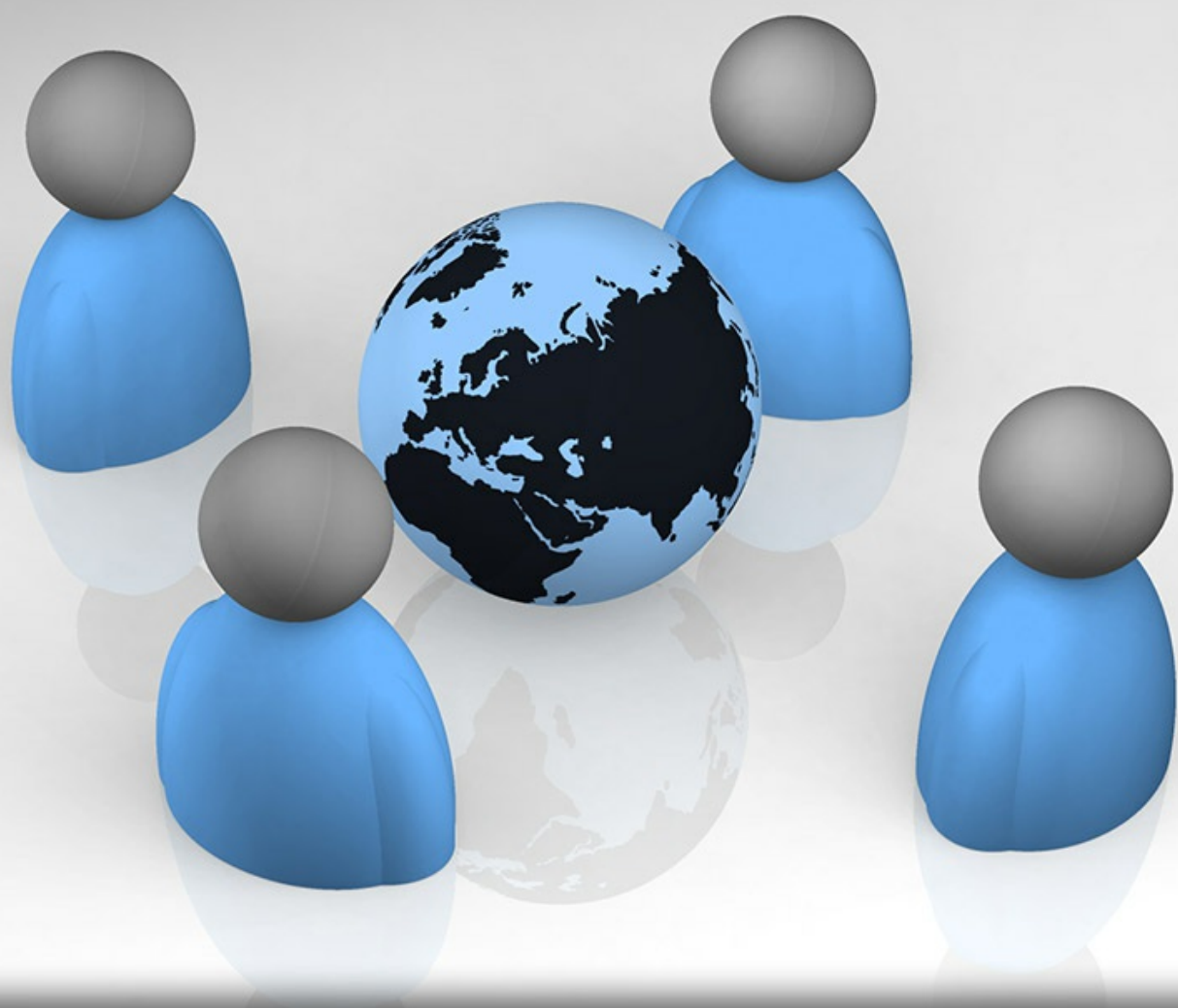


Affiliate Marketing

The Internet Marketing Academy



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Affiliate Marketing

Affiliate Marketing

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Preface

Affiliate marketing is a marketing approach where other people promote your products and services and in return they receive payment for each sale that are made as a direct result of their efforts. This means that you as the “merchant” can have an army of people promoting your wares without you having to lift a finger. If you’re one of those people promoting the merchant’s products and services i.e an “affiliate” then you don’t even need to have a website to make it a success although it does help. This text book will cover what affiliate marketing is all about and how to make your campaigns a roaring success.

Sean McPheat, a serial entrepreneur and internet marketing authority is the author of this publication. Sean owns many successful online businesses ranging from an International Training business through to dozens of mini sites selling different products and services online. Sean is the founder of the Internet Marketing Academy which aims to improve the standards of internet marketing around the globe. Sean has been featured on CNN, BBC, ITV, on numerous radio stations and has contributed to many newspapers. He’s been featured in over 250 different publications.

Sean is a high in demand consultant and speaker on topics related to internet marketing and making money online and estimates show that he has created over £20,000,000 of leads and £6,000,000 of sales all through the internet. That does not include all of the millions that he has helped his clients to make!



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1 Introduction to Affiliate Marketing

1.1 Introduction

The Internet has become an important phenomenon since the beginning of the 21st century. E-commerce has gained a new foothold in the world of business and marketing. Most importantly, allocating costs to acquiring new customers can be expensive, even in an online world where costs are much lower than the offline world. After all, you are still spending money on advertisement and those costs need to be worth the investment in order to continue investing in them.

Would it not be nice to be able to pay for your advertising only when it works? Well, this is a possibility in the online world. It is performance based marketing, and it is done through affiliate marketing. But what exactly is affiliate marketing? We will answer that question in the following sections. This ebook is an introduction to affiliate marketing and will answer all the questions to creating and implementing an affiliate marketing strategy within the larger context of Internet marketing.

1.1 What is Affiliate Marketing?

The first question you may be asking yourself is this: what exactly is affiliate marketing? As we stated in the introductory paragraph, affiliate marketing is a type of marketing that relies on performance and you, as a merchant, only pay when your advertisement performs well.

Affiliate Marketing is performance based marketing, where the rates of advertising depend on how well the advertisement performs.

Traditionally, the Internet has allowed merchants to be able to advertise on certain spaces on the web. This could come in the form of banner ads within certain websites or email messages. It might also include investing in ads like buying space at the top of search inquiries for popular search engines like Google or Yahoo!.

The problem with buying space like this is that you, as a merchant, are required to pay a flat fee for something like a banner ad to be placed on a website. This poses a problem for one main reason. The biggest and most common problem is that your initial payment for advertising is a bit of a gamble, especially if the site that allows you to advertise is new to you. You might not know how much traffic the advertisement will produce at first.

And let's say it does not work out very well. The advertisement did not quite meet expectations and it resulted in very little traffic to the site and fewer actions taken by prospective clients. At this point, you've sunk more money into the advertisement than what you may have gained back. It is a win-lose situation because the website owner earned money and you, the merchant, lost money.

All hope is not lost, however. With affiliate marketing, the exposure that you get stays intact just as it would for advertising through something like a banner ad. The difference, however, is that instead of paying the affiliate upfront, you only pay the affiliate once some kind of action has been taken, whether through a click or filling out an online form. You could think of this type of payment as a commission for the affiliate. After all, affiliate marketing is a referral based marketing strategy, and any increase in traffic means more money for the affiliate. In this way, it makes sense for an affiliate to promote their merchant; they have an incentive.

As far as affiliate marketing goes, there are certain kinds of models that are used to perform affiliate marketing.

1.1.1 Types of Affiliate Advertising Models

There are three types of affiliate advertising models that merchants and affiliates use when engaging in this type of strategy. Here is a list of them and brief descriptions of each.

- **Cost Per Mil (CPM)** – Otherwise known as “Cost per 1000 impressions” (mil = 1000), this model works when a merchant pays a flat fee for every 1000 views or clicks its advertisement receives through an affiliate. This was especially popular at the start of the dot-com boom, but fell dramatically in use as a result of fraudulent increases in view statistics by many companies.
- **Cost Per Action (CPA)** – Similar to the CPM model, it operates on the same principles. The difference, though, is that the amount a merchant pays to an affiliate is entirely dependent on the performance of the merchant’s advertisement. The factors of performance are the “actions,” which include things like users who click an ad, fill out a form, download software, or buy an item. Rather than having a set amount to pay for a specific number of users, you only pay when the advertisement perform well.
- **Cost Per Click (CPC)** – Similar to the CPA model, and even more specific within the CPA model, is CPC. The model, like CPA, is dependent on performance, but the factors that determine how much a merchant pays to an affiliate include clicks. This may refer to the amount of times a banner advertisement is clicked, as its name suggests, or the amount of people who visit the URL that is advertised.

As you can see from these models, the marketing strategy behind them is all about performance. But how did these types of advertising models develop on the web? Let’s take a look at the history behind this type of advertising and marketing.

1.2 A Concise History of Affiliate Marketing

In 1996, Amazon.com created one of the first affiliate programs on the web called Amazon Associates program. It was a program that allowed websites to become affiliates of the main Amazon.com website. The affiliate would place some kind of link on one of their web pages and allow users to connect to Amazon.com. The point of the link was to entice users to visit Amazon.com for all their literary needs. This was very beneficial for Amazon’s affiliates because they received a commission every time one of their users was sent to Amazon.com.

Amazon, Proctor and Gamble, and CDnow are a few of the first websites that offered affiliate marketing programs in the early days of the Internet.

Of course, Amazon was not the first website to implement a program like this. Epage was another website that had a similar program initiated in the same year, and Proctor and Gamble were able to convince Yahoo! to do initiate a similar program with their advertisements.

And even earlier than any of these was the website CDnow. In 1994, it placed links on sites that had reviews on artists and albums. With the idea that reviews existed on the web and users viewed them, they came up with the idea to offer those same albums to people by placing a link to drive traffic to their site.

The reason these companies are important to mention is because they laid the groundwork for affiliate marketing as we know today. Affiliate marketing today is also a reminder of the fall of click-through banner ads that saw a sharp decline in actions taken. That is why affiliate marketing, which exists as exclusively performance based, is essential and beneficial to an Internet marketing strategy.

Now that we have covered this bit of history, let's go back to affiliate marketing and take a look at the roles that companies and websites play.

1.3 The Roles in Affiliate Marketing

Affiliate marketing between companies is a symbiotic relationship. It is a win-win situation for both affiliates and merchants, but what are these roles that websites take on? Let's take a look at the roles of affiliates and merchants.

1.3.1 Merchants

If you have a company and website, and you sell a product or service, you are a merchant. The merchants are the companies that sell a product and/or service, and they are the ones that pay affiliates for their marketing campaigns. Chances are that you are going to want to form relationships across the web with affiliates.

In other words, you are most likely the merchant if you are starting to form an Internet marketing strategy. When you form affiliate partnerships, that affiliate is going to make give you space on one or more of their web pages to place a link or even a banner advertisement. The link will allow users to come to your site, yielding higher amounts of traffic. Of course, simply getting customers to visit your site is not enough. Keeping them there is a whole other issue, which we will explain in a further chapter.

1.3.2 Affiliates

What is an affiliate? You may have heard the term before, perhaps on radio broadcasts or between tv shows on commercials.

In the online world, affiliates are the website owners or even bloggers who allow a merchant to advertise on their site or blog, respectively. They are the ones that get paid whenever an ad performs, so it is in their best interest to have merchants with which they have an affiliate partnership.

Of course, it takes a little bit of work on the part of an affiliate to keep a relationship with a merchant. After all, if a website owner does not have a lot of incoming traffic, it will not hold the favor of merchants enough and the affiliate may lose the relationship and end up losing part of his income. Most likely, affiliates do not sell products or services themselves, but they might. They also might be affiliates for multiple merchants at one time, advertising products or services that they believe their readers or visitors will want to purchase.

So now that we have become better acquainted with the roles of affiliate marketing, let us take a look at the benefits of doing affiliate marketing.

1.4 The Benefits of Affiliate Marketing

There are many benefits to getting into an affiliate partnership, whether you take on the role of merchant or affiliate. Keep in mind when thinking about these benefits the fact that the Internet has become a highly collaborative space, especially with social media taking such a dominant presence on the web today.

Affiliate marketing is effective because of the collaboration that goes on within partnerships, especially with social media becoming a dominant presence on the web.

Here are some of the key benefits to affiliate marketing.

1.4.1 Partnerships and Collaboration

As we mentioned before, the relationship between affiliate and merchant is a symbiotic one. Both affiliate and merchant benefit from having an affiliate partnership with each other.

With affiliates, there is the fact that web hosting fees may be paid through the income earned from being an affiliate and some affiliates can actually earn a substantial income from the merchants they work with. This does not mean, however, that it is as simple as signing up for an affiliate program. The affiliate has an incentive to get traffic delivered to the merchant's site. When done well, the affiliate also benefits by being credited with the sale or lead.

Merchants have solved the Click and Bye process by crediting affiliates with sales made or leads produced.

This is actually one of the original problems that occurred and made affiliates question their role in affiliate partnerships. They might say to themselves "I am sending traffic to their site, but that means I am losing traffic." This is called Click and Bye, which means an affiliate might lose a viewer to its bigger merchant via a textual link or banner.

Merchants, though, recognized this problem and came up with the solution to credit affiliates when a successful sale was made or a new customer signed up with their website or newsletter. As you can see, affiliates and merchants must constantly adapt to make affiliate marketing work for them.

The benefit for merchants through this relationship is that they get new traffic and potential customers they might not otherwise have access to by advertising on affiliate websites. Best of all, their advertising dollars are only spent when they successfully make a sale through an affiliate.

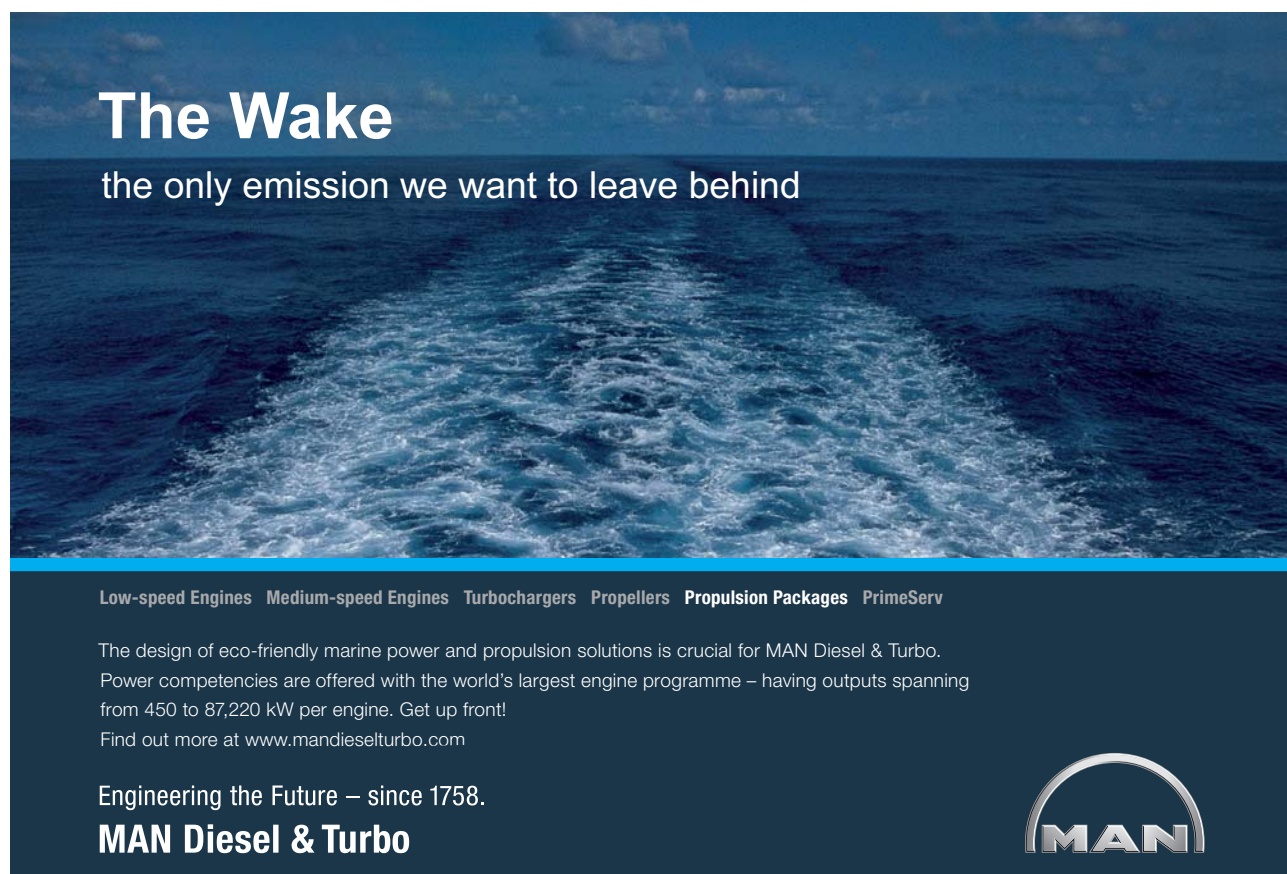
Of course, merchants must be wary of how they advertise. It takes much more than having affiliates to making affiliate marketing work. An affiliate marketing strategy is only working if the affiliate can successfully send new prospects your way. So, when you think about who you want your affiliate to be, this is one of the factors to consider. Ask yourself if the website is sending enough traffic for the amount you spend. Is your return on investment (ROI) in the black or red?

A merchant must be diligent in his approach to making an affiliate marketing strategy work. The affiliates have to deliver. This is another great benefit for merchants; they have a choice in who they want as their affiliates. A smart merchant will be able to gain an affiliate relationship with websites that are in line with their product or service.

1.4.2 Affiliates' Site Content is Relevant

Let's say that you, as a merchant, sell dog food through your company website. Your affiliate should be somehow in line with your product or service for an affiliate marketing strategy to work. That is to say, if you sell dog food, you should sell advertise dog food on sites that attract dog owners.

Affiliate marketing allows merchants to target specific demographics on the Internet.




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If you think about it, this makes reasonable sense. Your dog food company might know a few websites that cater to dog owners and perhaps have forums and discussions about dogs, ranging in subjects from teaching them tricks to how to keep them healthy. This is a smart potential affiliate option because it means you can advertise to your demographic. Smart affiliate marketing strategies involve continuing to think creatively about where your demographic is most likely to be so that you can have your advertisement present there as well.

In contrast, a bad marketing decision would be to form an affiliate partnership with a website that caters to cat owners. What interest would they have in dog food when they have cats to feed?

1.4.3 More Effective Use of Advertising Dollars

As we stated earlier when we described the difference between plain banner advertisements and affiliate advertising, we mentioned the fees and rates that you are required to pay. Every website is different in what amount they expect to be paid, but one thing is clear: performance based marketing allows you to waste less money in advertisement allocation.

Marketing is all about increasing ROI for prospective customers, and affiliate marketing is no exception. When you spend money on any kind of advertisement, you want to make sure that the amount you spend to get a new customer is worth the investment. Performance based marketing lessens the amount of money you spend and reduces the risk of having a bad ROI.

Let's say that you have an affiliate for your dog food company. Each time you make a sale, you might pay a 5% commission. Since you are only paying when you made a sale, you are certain that you only make an investment when there has already been a return.

1.4.4 Easy Tracking

Like other types of Internet marketing strategies, such as email marketing and website creation, one of the greatest benefits to doing affiliate marketing is the fact that it can be tracked. Affiliate programs often allow you to see certain things like click-through rates or views of your site as a result of a customer having viewed an affiliate web page.

This is an important part of building an effective affiliate marketing strategy because it allows you to see which affiliates work and which do not. Additionally, it may also tell you how you are performing on the different affiliate websites with different marketing tools, such as through a banner ad or a link placement. This will help you spend your money more effectively by continuing to invest in the types of ads that seem to get the best results.

1.4.5 Exposure

Without a doubt, exposure is key to any component of a marketing strategy. By having affiliates, you can have your product or service held out for the online world to see. And by staying present on appropriate sites, your exposure will increase exponentially by staying in tune with the correct, targeted demographics.

Exposure also allows you to build an image and brand name. Building those allows you to leave a lasting impression on prospective customers so that they are more likely to come back and make a purchase. And because it leaves a lasting impression, that means it is likely to be spread to others through the Internet and even word of mouth.

Is affiliate marketing right for your business? If so, this book is full of information on how to develop an effective affiliate marketing program. We will discuss preparation, implementation, and maintenance of an affiliate marketing strategy.

SMS from your computer

...Sync'd with your Android phone & number

FREE
30 days trial!!

Go to

BrowserTexting.com

and start texting from
your computer!

BrowserTexting

The advertisement features a light blue background. On the left, a laptop screen displays a text messaging application with a list of contacts on the right and a conversation window on the left. A blue double-headed arrow points from the laptop screen to an HTC smartphone on the right. The phone screen shows a similar text messaging interface. In the top right corner, a blue diagonal banner contains the text 'FREE 30 days trial!!'. Below this, the text 'Go to' is followed by a green rounded rectangle containing 'BrowserTexting.com'. Further down, the text 'and start texting from your computer!' is displayed. At the bottom right, there is a speech bubble icon followed by the text 'BrowserTexting'.

2 Setting Up An Affiliate Program

Planning is the first and most important step to making an affiliate program that works for you. Affiliate marketing has become even more popular now than before. In a 2011 report in the Affiliate Summit Affstat Report, 49% of all respondents said that they had been an affiliate since just 2008. This means that many new people have jumped into affiliate marketing and will likely continue to do so as long as it remains a lucrative and mutually beneficial form of marketing.

Of course, as a merchant, you will have to create an initial plan for making a program and gaining affiliates. First, we will talk about the planning process and then talk choosing the components of your affiliate program.

2.1 Planning an Affiliate Program

Before we get into planning your affiliate program, let's discuss whether having an affiliate program is right for you. There are a couple of components that a company should have to even consider going into affiliate marketing, and they are listed below.

- You have a high enough profit margin that you can afford a commission for your affiliates
- You offer an attractive product or service that other people will be motivated to promote because (a) you pay a good commission and (b) the product is relatively easy to sell
- You are able to support the demand in your product that affiliates could bring in
- You are able to support the additional customers that affiliates could bring in
- You are able to support the affiliates themselves with training, advertising, and other promotional materials
- You are willing to pay for a service (or software) to help you track your affiliate sales
- You have the time to monitor your affiliate's marketing efforts so that you know they are representing your company as you would want them to in their promotions

If you feel you can meet these requirements, then affiliate marketing should fit your Internet marketing strategy needs.

In the next few sections, we will lay out a couple of plans of action for getting into the affiliate marketing game.

2.1.1 For First-Timers in Affiliate Marketing

Getting into affiliate marketing for the first time can be intimidating. Luckily for you, with affiliate marketing having been around for the past two decades, others have made getting into the game that much easier for newcomers.

Below is a list of popular affiliate “marketplaces” where you can get help managing your affiliate programs. You can register with them for a flat fee. The most popular include:

- ClickBank
- Commission Junction (CJ.com)
- PayDotCom
- AffiliateMarketplace
- Click2Sell
- PayGear

You will need to register with these sites and then people who want to be your affiliates will be able to find you. Of course, you can manage your own affiliate program, but when you are first experimenting with affiliate marketing it will probably be easier for you to use one or more of these services.

Affiliate marketplaces are a great way for amateur companies to get into the affiliate marketing game with little risk.

Now before signing up for one of these affiliate “marketplaces” (or creating your own), we will go through a rundown of the things you should consider when establishing an affiliate program.

2.1.2 The Major Points for a Successful Affiliate Program

Affiliate marketing should be viewed as a marketing venture, and not exclusively as a technological venture. Granted, there are many creative and technological aspects to this particular type of marketing, but above all, it should be seen through a marketing lens.

So what does that mean for you as a merchant? One of the bottom lines is that it is all about the customer. After all, the online customer is what drives your sales and spreads the word about your company and product, among other things. Every aspect of planning an affiliate program must keep these things in mind in addition to the needs and values of your affiliates and other new hires. So let us take a look at what the major points are for having a successful affiliate program.

- Consider Your Customer’s Values – Since affiliate marketing allows targeted demographics, knowing your customers is essential to knowing how to implement a smart strategy. What do they value? What kind of content are they looking for? Do you have multiple demographics for your product/service? You will find customers through affiliates who share those values or at least don’t demonstrably argue against them.

- Consider Your Affiliates' Values – Affiliates are part of the marketing game as well, and they have a choice in who they will be an affiliate for. Put yourself in their shoes and ask yourself what they would expect out of you and your affiliate program. Does it benefit them? Is your product/service and content in line with their website? And very importantly, how well do you pay for your performance? In a 2011 survey by Affiliate Summit Affstat, 59% of respondents said that commission policies affect their decision to promote merchants and become affiliates for them.
- Contracting with an Affiliate Consultant – Contracting this job out means looking for a person that has you and your company's interests in mind. It is not a necessary hire, but it is absolutely beneficial and will make your marketing strategy that much easier. A good consultant helps you plan a strategy and a program, helping you beyond simply the technology aspect and emphasizing the marketing aspect as well.
- Choosing an Affiliate Program's Components – Not all programs fit every company's needs. After deciding on the needs of your company, your customers, and your affiliates, choose program components that fit those needs and balance them all out. This can be a little tricky, but if you ultimately can't figure out which needs to meet, remember that in a successful business, the customer's needs will edge out the needs of the rest. We will discuss choosing an affiliate program's components in the next section of this chapter.
- Graphic Design – You should have the stored graphics and text links that would go onto an affiliate site's web pages. You should also plan a way to distribute the graphics easily to your affiliates. For example, you'll need banner ads of different sizes ready to distribute to your affiliates so that they can easily add them to their own websites.
- Tracking Duties – Upon implementation of an affiliate program, decide who will run and analyze reports of your affiliate marketing campaign. Though you could potentially use someone already within the company, it may be best to hire this job out to an affiliate solutions provider or affiliate consultant who understands how to read and interpret the results to help you improve the program.
- Affiliate Agreement – When you and a new affiliate agree to work with each other, you must have an affiliate agreement written out laying out the rules and terms of your agreement. These rules are a contract and must be very precise in what is expected from both affiliate and merchant. Some of the things to include in one of these agreements is your compensation plan and the frequency of payment. You may also want to agree upon what content can be included on the site. For example, you might not want your product or service advertised on a website that displays pornography or that has inflammatory, derogatory or abusive language.
- Training – Anyone involved with the affiliate marketing strategy of your company should be well informed and educated on the topic. The people within your organization should be educated because it will help them market the program to potential affiliates with confidence. It will also allow help you to get affiliates educated about your program much quicker.

- Screen for Affiliates – With many of these properties in place, your next step is to go out and find affiliates to work with. Keep in mind, though, that you don't want just any affiliate. You want affiliates who's content and values are in line with your own and you want people who are willing to work with you. Going back to the introductory chapter of this ebook, you probably would not want to sell dog food on a cat lover's website, even if the cat lover's website owner wants to be your affiliate for some reason.

Now that we have covered what to consider in the planning process of affiliate programs, we shall move on to choosing the affiliate program model. This is where we shall decide on what kind of model is best suited for your business needs.

2.2 Choosing an Affiliate Program Model and Its Components

Choosing an affiliate program model's components for your company may seem like a daunting and complicated task at first. After all, competing online is competing globally, and though this competition has grown enormously, you still have the chance to compete in a global market even as a smaller company. It is all about the marketing techniques you use and the networks that you create. One of the first steps to doing this is choosing the appropriate affiliate program components.

Affiliate sites place offers on their web site pages as a subtle way to advertise a merchant and provide relevant, valued content to a user.



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There are as many affiliate program models out there as there are shapes and sizes. Here, we will list some of the popular components to an affiliate marketing program model.

- Offers on Affiliate Sites - offering your product or service as a natural component of the affiliate's website
- Banner Advertisements - using graphics and text and perhaps even animation to draw viewers to your site
- Text Links - use words rather than graphics to draw the visitor to your site
- Imbedded Commerce - having your affiliate sell your product on their site so that the customer never leaves the affiliate's site but you still get a sale or action
- Email - allowing affiliates to promote your product or service via emails to their own customers

Pop-Ups - ads that literally “pop-up” in a separate window and prompt the viewer to visit your site or provide you with information such as an email address, usually in return for a gift or promotion

The most important aspect of these components, and when to place them, is to use them in context between you and your affiliate. Let's take a closer look at each of these and see which ones might fit your company's and consumer's interests.

When done well and effectively, affiliate marketing can create niche markets that will boost your company's reputation and help it compete globally.
--

2.2.1 Offers on Affiliate Sites

By far, one of the most popular and well respected components of affiliate marketing is having graphic or textual offers placed on affiliate website pages. One example may include a website about certain books that offers an Amazon box or graphic to actually go buy the book.

The reason this type of model is so popular is because there is a common context between affiliate and merchant. Though the affiliate may not necessarily sell the book, it offers that book through Amazon. We would expect this to be the case, too, because the affiliate's site visitors may already have a vested interest in the item.

What's more, this type of component is also well respected because of its subtlety. Unlike pop-ups or large banner advertisements, the offer does not feel forced upon the potential consumer. It is simply an option, and if the affiliate site has good content, it will most likely feed those users through to the merchant. Affiliates then get paid a commission if the sale goes through.

2.2.2 Banner Advertisements

Websites often have reserved space on their pages for banners. Most likely, the reserved space is on the perimeter of the pages, though some web pages might have banners in the middle of the page and between its content.

Merchants may pay affiliates a commission not only based on if they made a sale, but also if a user clicks through and fills out an application or form.

Banners are images and graphics that are placed on the affiliate's web site pages. The banner links directly to a merchant's home page or other similar page when it is clicked. The purpose of a banner advertisement is to entice the user to click on it. The banner likely has the name of the merchant and perhaps a promotional offer beneath it.

The banner advertisement might also be advertising a product or other kind of service, and yet other times, it might just have the name of the company with a catchphrase. Sometimes a banner for a service might send the viewer to a specific page that has application or interest form to fill out. Even actions like this can lead to an affiliate getting paid by a merchant.

Additionally, there is another way that an affiliate gets paid. In the examples we gave, this refers more to a CPA (cost-per-action) model. Merchants can optionally have a CPC (cost-per-click) model where simple clicks will garner a commission for the affiliate. Simple clicks, however, do not translate into concrete actions. A customer could click on a banner ad and never make a purchase or fill out a form.

2.2.3 Text Links

Text links are often found in the content of an affiliate's website. Simply put, there are hyperlinks where, when a user clicks it, it takes him to the merchant's home page or to an online form. The work in a way that is very similar to banner advertisements.

Text links work on the same principles as banner advertisements, but they differ in regards to being placed with valuable content.

The biggest, and most valuable, difference is that the text links are placed within the body of the web page and within its content. This provides a valuable opportunity because the advertisement is not all about spectacle. An affiliate could provide some kind of testimonial or story about why a product or service is great. The benefit is that the greater amount of detail allows for more authenticity and better reputation. Having this component to an affiliate marketing program is very beneficial.

2.2.4 Embedded Commerce

Sometimes, an affiliate does not want a user leaving his site even though he has an affiliate agreement with a merchant. This goes back to the Click-and-Bye process that we mentioned back in the first chapter of this ebook.

When an affiliate sends traffic to their paying merchant, they may end up losing users. To alleviate this problem, some websites have come up with the solution to embed a merchant's products into their own website. This way, the affiliate does not lose their users and the user can still make a purchase through the merchant if they please.

The benefit of having an embedded commerce model is that exposure by both affiliate and merchant is shared simultaneously. However, it may not be the most beneficial model if you are offering a service instead of a product because the person never actually sees your website. They may not take the action you need from them if they don't see your site and read the information that will help convert them to a customer.

2.2.5 Email

Up until this point, we have talked about affiliate marketing in regards to websites only. However, affiliate marketing can also be implemented in more than just websites. Email is another online property that can utilize affiliate marketing. Where websites are static and passive, email is an active and dynamic means of online presence. Affiliate marketing and email marketing can cross paths at this juncture.

Some companies offer a program that lets email users use a code in the signature of their messages. The code might be a graphic image or hyperlink, but whenever a recipient clicks on it, the sender of the email receives a commission.

Of course, it is not only common email users that use affiliate marketing within the content of email messages. Affiliate websites that send out a newsletter to their subscribers may also place lines of code into their messages advertising a fellow merchant. They might do this in the same fashion as the example above, or they might throw in graphic or images within the bulk of the email that contains a hyperlink to a merchant's website.

Email subscribers, however, are wary of clicking on things like that unless they feel that it is a reputable link to click on. If you think about doing affiliate marketing through email subscribers, be sure to provide some kind of incentive and valuable content to entice them to click on a link. Some incentives you might offer are exclusive rewards or discounts for buying through the merchant.

Affiliate marketing and email marketing can cross paths and provide some creative opportunities for your Internet marketing strategy.

2.2.6 Pop-Ups

As we mentioned earlier, affiliates might have a problem with traffic leaving their website. One of the ways they alleviated that problem was to provide embedded commerce from other sites. Another way that affiliates are able to alleviate this problem and keep people on their pages is to have pop-up advertisements.

Pop-ups are separate windows or browser tabs that pop open whenever a certain action is taken on a website or a certain page is opened. The benefit for the affiliate is that it can provide an advertisement as per their merchant's request, and they still have the user remain on their website.

The disadvantage to this, however, is that most Internet users see pop-up advertisements as annoying and inconvenient. Most big companies and websites will not likely have pop-up advertisements because it will drive away customers more often than not.

3 Gaining Affiliates

So now that you have crafted a program to use for your affiliate marketing campaign, it is time to start obtaining affiliates. You must get the word out, and this requires that you perform some legwork to get some major players. Remember, affiliates may have something to gain from this type of partnership, but they are not always going to come looking for you.

Keeping in mind content relevancy and targeting demographics will help you gain new affiliates, and obtain the right ones!

There are millions of websites out there, so choosing the right ones is going to be one of your initial tasks. Not all websites will function the way you want them to as affiliates, so we must keep in mind the principles we learned about being relevant in content that is likely to attract your target demographics. Additionally, you will want to keep in mind that there will be competition out there, so you want to offer a potential affiliate the best you have. In this chapter of the ebook, we will discuss how to gain the right affiliates and discuss the ways to gain them.

3.1 Finding Affiliates

With such a wide, open space like the Internet, how will you go about finding any affiliates in the first place? As always, planning is in your best interest. Performing a few preliminary steps will help prevent any hassle, making the entire process that much easier. First, we will begin by creating a message to send out to potential affiliates.



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3.1.1 Create Your Introductory Message

First impressions go a long way. Your introductory message is your first presentation, and you want it to stick with a potential affiliate. To do this, you must tell them what you will offer them and how partnering with you will benefit them. Here are a few points you could make:

- Clearly state the benefits that you offer without building too much hype.
- Ensure that the product or service you offer is high quality.
- Inform them about how the product or service is relevant to them and their traffic.
- Show them what you can offer compared to your competition.
- Let them know that you have a tracking system for your sales and their earnings, and explain it to them (make sure you have one in the first place).
- Make sure they know that you are reputable and credible so there is nothing to lose by partnering with your company.

Explain to your potential affiliate that by going with you as their merchant, they are going to be able to make money by referring some of their traffic to your website. Let them know how much each referral will make them, and clearly state that they will only receive that money depending on the type of model you go by (CPA, CPC, etc.)

For affiliates worried about Click-and-Bye, offer them components like embedded commerce or an exclusive product or service for referred customers to buy.
--

You are going to have to sell your program to them as well, ensuring that it is high quality and delivers a good product or service. If you are trying to get an affiliate that sells the same products as you do, what do you do then? Don't worry, you still have a chance to obtaining a partnership with them.

A good offer for affiliates is the embedded commerce property of some affiliates programs, which allows people to shop for your products from your affiliate's site. Another good benefit to offer them is to tell them that you can offer referred traffic an exclusive product not normally sold to regular customers. This benefits the affiliate because it gives them an incentive since they have something valuable to offer their site visitors.

And above all, remember not to oversell your affiliate program. If you cannot deliver something, do not tell them otherwise. This can backfire and will really hurt your reputation and chances to obtain other potential affiliates. Being realistic and honest is much better and you do not want to make that risk.

3.1.2 Make a List of Prospects

Since you have an introductory message ready, you will now want to start building up a list of potential affiliates to join your program. Remember, this list will only be an initial filter and once it is built up, it will be filtered down even more. Here are some key aspects to find in prospects:

- Find sites with their own unique domain name
- Find sites that draw in a high amount of traffic
- Find sites that have been consistent and have a targeted audience
- Utilize social media

Why is it important to find sites with their own domain name? Site owners who use their own domain name must pay for them, and any additional income they can receive to cover those costs is welcome to them. Having to pay for the hosting service is an incentive to the potential affiliate to earn money from the site, so you can be sure that they are more likely to do their job to get results for you. You can find these prospects by simply using a search engine, but it is also good to put a notification to join your affiliate program in as many places as you can. You can place it in emails, social media profiles, or even discussion forums.

Placing a link or graphic for people to join your affiliate program is a good practice, especially if you use it on as many online and offline media as you can.

High traffic sites are a good kind of site to look for, but be careful and find out if their visitors are single-visit users. This would not be good because they will not be exposed to any effort you put into the logos or graphics you made. That is why it is good to find sites with consistently high traffic. What's more, if the audience is more targeted rather than a mix of all different demographic types, it will be easier to determine whether or not it will be the appropriate affiliate for you to partner up with. Remember as well that you might have to pay higher fees to advertise on the highest-traffic sites; or, you may need to offer better affiliate compensation than the other companies that may be competing with you to get advertised on that site.

With social media dominating the Internet, it should be no wonder that you can use sites like Facebook or Twitter to get your company's name out there. Before you do, though, you will have to determine whether or not your demographic is using one social media network or another. Again, finding the places that your customers naturally frequent is a great way to identify potential affiliate sites or locations.

3.1.3 Register With Directories

You can find affiliates in another way - by registering with affiliate directories. These are a great and convenient way to gain affiliates because it means that potential affiliates can start looking for you. Some of these we mentioned earlier because they offer supporting resources to use when you are first building your affiliate program, but you can certainly find potential affiliates by registering with one or more affiliate directories.

Here is a list of the most popular affiliate directories available.

- Affiliateseeking.com
- Affiliatesdirectory.com
- PayDotCom
- Top-affiliate.com
- Affiliatescout.com
- Affiliatefirst.com
- Click2Sell
- Associateprograms.com
- Affiliatewiz.com

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- Affiliateguide.com

These offer a range of general affiliate programs that potential affiliates can join, but they also offer potential affiliates with lists of affiliate programs that are more specific to a certain kind of product or service.

You can join one of these sites to offer your affiliate program and it will cost a fee. If you are more specific, you can be listed under one of the specialized lists. This is a very good benefit because then potential affiliates with your same interests will find you and have some common ground, making it more likely that you will obtain and benefit from the partnership.

There are, however, a few rules you should keep in mind when getting listed under an affiliate program directory. The directories have an interest in providing programs that affiliates will find attractive; therefore, affiliate directories can be selective in who they will allow to register with them. So, follow these rules to ensure a better chance to get listed:

- Have your affiliate program up and ready
- Make information about the affiliate program for the site, and make it readable.
- Make information about your company and product/service easily available for viewing.

And remember you should also research the quality and credibility of the directories you are considering. Some may look reputable, but be careful and do not get caught in a place that charges a lot and does not deliver results.

Now that we have searched for potential clients and they have searched for us, it is time to filter out even more of them to get better quality for your affiliate marketing campaign.

3.2 Choosing Good Affiliates

Following the steps previously laid out will get you many, many potential affiliate offers. However, it is much better to have quality over quantity. This next section will teach you how to get even better affiliates and filter out the less qualified candidates from the most qualified candidates.

First, let's suppose that you've receive an email from a potential affiliate looking to do business with you. Now, let's look at a set of criteria to see if it is a good affiliate site to use.

- Go to the site and ask yourself, what kinds of visitors go there?
- How much traffic is there? Ask the site owner for information on their traffic or use a site like alexa.com to estimate the traffic the site receives.

- Do the graphics/logos/content relate to your product or service?
- Is the site layout clean and professional and does it exude the personality you would like to associate with?

If you don't feel comfortable having a partnership with a particular company or website, simply decline the offer. Sometimes, that initial impression is correct, and you do not want to get stuck in a contract with an affiliate that is not worth it.

3.2.1 Most Important Prospects – Super Affiliates

What are super affiliates? In essence, super affiliates are going to be big players in your Affiliate Marketing campaign, gaining a substantial amount of traffic for you and a nice income for themselves. They understand the partnership that goes on and that benefitting you ultimately benefits them. In fact, they might even have their own marketing campaign underway for a particular merchant that they have partnered up with.

Super affiliates make a decent living solely doing affiliate marketing for merchants because they already have a marketing campaign in place that helps out both merchant and affiliate.

So how do you find a partner like this?

Time is going to be of the utmost importance, because gaining an affiliate like this does not come easily at first. You need someone who realizes the mutual benefit that your affiliate program will provide. You also need a product or service that sells so that the affiliate can make a significant number of sales and thus, they find continuing to market your product worth their while. Sometimes they start out as a small affiliate and grow bigger, eventually making an income this way. Some affiliates like this will find you through directories if their interests match yours.

Be on the lookout for anyone taking an active interest in what they can do for your company as an affiliate. If they have a marketing strategy and want to discuss the specifics, they are most likely a major player. Of course, do not be afraid to encourage other affiliates to take on this type of role if they seem like they would be up for the job.

3.2.2 Specialized Affiliates

If we go back to the last chapter, you may remember that we discussed how relevant, valuable content is important for online marketing. This principle should still be kept in mind, because the next kind of affiliate we will discuss is the specialized kind.

Specialized affiliates have and make relevant content to their merchant sites, perhaps even going so far as to dedicate their marketing strategy to creating relevant, valuable web content.

These kinds of affiliates are beneficial because they know how to market themselves as relevant to a merchant. If you do the same, then the two of you are bound to cross paths at some point. Specialized affiliates will know how to create relevant content and know what is valuable to a niche market on the Internet.

Let's say that you have a site that sells musical instruments. You will want an affiliate who has a site that is relevant, so you search for sites that perhaps make or sell musical instruments. Both your site and the affiliate site are relevant to each other, making it a great potential partnership. The affiliate maintains his or her site in part with the intention of drawing people to the site who they believe will want to purchase your product or service. In other words, they are being as selective about who they partner with as you are, hoping to provide specialized information and content for their customers and, by extension, yours.

3.2.3 Who NOT to Partner With

We have all seen websites that are disorganized, have messy content, and generally do not get updated frequently enough. These types of potential affiliates are the ones that you want to watch out for.

Think of it this way. Those websites that have banner ads, pop-ups, and links going everywhere are obviously not maintained well. Would you want to risk having your links treated the same way, losing out on potential customers while still being in a binding agreement with that affiliate?

Despite all of this, it is good practice to try to get an inactive affiliate active again if they are not doing the work required of them. Ask them if your instructions were clear and if they need help with their website. Ask them, too, if they remember the agreement you two signed and if they are putting any effort into referring users to you.

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3.3 Creating an Agreement

Finally, we will discuss how to make an Affiliate Agreement and the benefits of making one. This is one of the most important steps you must take if you want to have a good relationship with an affiliate. So far, we have talked about obtaining affiliates and getting the right ones to partner up with. The reason we stress this is because we want to make sure that we get legitimately involved people who will follow a contract and abide by its stated rules.

The Affiliate Agreement is your legal binding and protection. Having a trusted and reputable affiliate partner is great, but this contract ensures that any confusion can be fixed right away and so there are no problems in the future.

We will discuss how to make one and the properties you should create within the document. As always, planning ahead will make things go much more smoothly. Remember, though, that just like any other contract, you should always seek legal advice before entering into a legally binding affiliate agreement to make certain that your individual business' needs and concerns are addressed in the agreement and to ensure that you haven't omitted any important terms or conditions.

3.3.1 Take a Look at Other Affiliate Agreements

It is a good idea to look at other preexisting documents that lay out these types of rules. It will give you a clear sense of what should go into an Affiliate Agreement and you will be more confident when crafting your own. As affiliate marketing has become more and more popular, the amount of professionalism has dramatically increased, leading to formalized legal contracts. It's important to realize that you are entering a potentially legally binding agreement and that you need to protect your own interests when doing so.

Use existing affiliate agreement documents from other sites as a guide for your own - but always seek legal advice before entering into a contract such as an affiliate agreement.

Looking at preexisting documents will also allow you to see how affiliate marketers these days are thinking. It will show you what both affiliates and merchants expect from the other. By extension, it may even give you a sense of what customers and stockholders expect as well. After all, they are likely to have some type of stake in the company and don't want an affiliate site to be bogged down with unnecessary web page properties like flashing banner ads or excessive pop-ups.

The bottom line: read carefully and analyze. Ask yourself "Why does this contract ask for that?" Have your attorney review the agreement for appropriate language and to make sure you are properly protected.

3.3.2 Legal and Monetary Issues

Most of the content in an affiliate agreement focuses on the financial issues. After all, both affiliate and merchant stand a chance at increasing their income and traffic. Both entities also want it done the right and fair way.

Here are some of the issues that will rise up in making an affiliate agreement.

- Terms of Agreement
- Contents of Affiliate Website
- Criteria for Enrollment and Acceptance
- Responsibilities of the Merchant
- Responsibilities of the Affiliate
- Exclusivity Clause/Affiliate Conduct
- Banners/Text Linking Criteria
- Trademarks/Copyright Data
- Confidential Company Information
- Confidential Customer Information
- Commission and Referral Fees
- Tracking and Reporting
- Schedule of Payment
- Any other types of income

As you can see, there are plenty of issues that could come up, so it is highly recommended that an agreement like this be created and looked at thoroughly. Again, hiring an attorney to draft a document is highly recommended.

3.3.3 A Closer Look at the Legal and Monetary Issues

Some of these issues deserve a closer look since they are important in an affiliate agreement. They are:

- Conduct – This should state how you want your affiliates' sites and your affiliates to act and portray themselves. You want your affiliate to be professional, and their website should be clean and free of any clutter. The website's webmaster should also frequently update his site to keep the content valuable and relevant. You also want to make sure that the affiliate you're signing up does not send out SPAM because you could also be held accountable for that - if not legally then by association in the customer's point of view.

- **Enrollment** – This is a set of preliminary measures that you might want to take a look at before going into a full-time partnership. They help you assess the company and website by telling the prospect that his site should be well kept and that obtaining a merchant means finding trustworthy people. For example, you might have a trial period or requirements of traffic that the site must send to you before they become officially enrolled.
- **Exclusivity Clause (non-exclusivity)** – This is a slight extension of the enrollment clause, giving you the ability to have an affiliate on whatever site you deem acceptable. It should also address the affiliate's right to have other merchants' ads or promotions on their own site and what type of products or services they may or may not be allowed to advertise. This is good for protecting against undesirable websites like pornography and any that promote crime.
- **Linking** – This allows you to dictate how you place links on the site, though the affiliate will need to agree of course.
- **Intellectual Property** – When you allow a website to use your graphics or images, you should attempt to make sure that your graphics or images are protected by copyright laws. Omitting this leaves the graphics or images on the page questionable. Who do they belong to? With intellectual property becoming such an controversial quality on the Internet, it makes sense to have a contract with the intellectual property protected.
- **Customer Data** – Affiliates should have certain customer rules they have to abide by, such as not sending SPAM to email lists. If you get a SPAM alert from somebody, your company could lose its reputation and incur a fine.
- **Compensation** – This section will outline under what conditions the affiliate will be paid, what they are being paid, how frequently they are being paid, and whether or not payment is based on whether his site will yield more traffic to yours.
- **Increasing Commission** – Will you offer the website more money if it secures a higher sale and more repeat customers? In other words, this section asks you to address the potential of future superb performance. Some affiliates will ask you to include this part of the contract in order to increase their earning potential. If you can handle both the commissions and increase in customers represented by this high level of performance, you can offer an incentive for the affiliates to work towards.
- **Reporting/Tracking** – Your contract should have a passage about the reporting and tracking programs that your affiliate marketing program has. This means that you agree on who will track what and how often you will share this information. This will be beneficial for both of you because you can learn what ads and actions are most effective and where you could have room for improvement.

3.3.4 Signing an Agreement

All that there is left to do with the affiliate agreement is to get the affiliate agreement signed. Again, before you do that, you should have an attorney read the contract carefully to look for any tiny discrepancies that could affect your company's future. Advise the affiliate to do the same if they have any concerns. Once the agreement is signed (and notarized if your attorney recommends it), then you are ready to begin working with your new affiliate.



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4 Tracking and Reporting for Affiliates

So far we have been talking about building up lists and establishing yourself within affiliate marketing circles. Though a large part of the marketing campaign has been completed, you must keep up the work by creating tracking reports to measure how well you and your affiliates are doing. This is a crucial part of the marketing strategy because you want to make sure that you are making the most of your affiliates' abilities and their own marketing strategies. And just as well, tracking reports are for both affiliate and merchant to ensure accurate tracking of payments and performance.

Tracking reports must be maintained to continuously run an affiliate marketing campaign and to appropriate funds accordingly.

In this chapter, we will discuss the inner workings of the tracking methods and what the numbers mean. We will also discuss, once more, the pros and cons of maintaining your own affiliate program or outsourcing it. This time, we will focus on the payment part of the program.

4.1 The Components of Tracking Reports

Whenever you print out or create a digital tracking report from your computer, it has a few components representing key info about the affiliate's performance on his website. Depending on which software you use for these reports, the program is capable of producing a number of data points.

- Total Compensation
- Compensation Earned for Each Sale or Lead
- Number of Sales or Leads
- Appropriated Shipped Orders
- Number of Click-Throughs
- Number of Impressions

Next, we will discuss further these common data points that you will encounter across all tracking reports, regardless of the software you decide to use.

4.1.1 Total Compensation

This number represents the amount of money that your affiliate earns for each sale that they have referred to you. This will be a very important piece of data for both the affiliate and the merchant, so proper record-keeping on both ends is a must.

Keep a record of tracking reports for the accuracy of payments and for accountability.

This data point is a good example of the next point we would like to make: make sure you provide a tracking report to the affiliate on a regular basis. This will not be the only data point your affiliate is concerned with, but it is one of his most treasured numbers since it represents his income. Making sure that both parties keep a record of this and other numbers ensures an accurate count for appropriating funds. It also helps to keep around in case there is any type of discrepancy during payments.

Keep in mind, however, that compensation earned is not necessarily what the affiliate will make in the end. Elements such as sales taxes, shipping, handling, returns, exchanges and tax deduction can reduce the amount an affiliate makes in the end.

4.1.2 Compensation Earned for Each Sale or Lead

This is a more specific number referring to the amount of compensation earned on each individual sale. This is an especially important number in case you have made an agreement with the affiliate to compensate them an extra commission on certain products.

The payment, however, is only paid out once the order has been shipped. Actions and leads do not mean that an affiliate will get his compensation. Tracking reports will show this number alongside the total compensation number for review and comparison. Again, make sure these reports are produced on a regular basis.

Remember, too, that customers don't always purchase from a site the first time they view it. However, there are some affiliate marketing programs that will use "cookies" to track a customer who may have arrived at your site the first time by an affiliate ad but didn't make a purchase at that time. If they then later return and make a purchase, the "cookie" makes certain that the original referring affiliate gets credit for that sale. This is a very attractive feature to offer an affiliate since it means they get credit for the sale even if the customer didn't purchase from you the first time they visited your site. But you'll want to negotiate the length of time that customer remains "marked" for that affiliate before the affiliate would no longer receive credit for a sale. Tracking this information will also need to be an automatic feature of your affiliate marketing software; you would have no way to do it otherwise. Information on these sales should be part of your regular reporting for the affiliate and for yourself as it provides valuable information on your customers' behavior.

4.1.3 Number of Sales or Leads

Another vital number from the batch, this number is the cumulative total of sales or leads made in a certain period of time. This number does not show any dollar amounts, only the quantity of actions taken by an unknown quantity of users in a specific period of time.

These numbers are important to both the merchant and affiliate because they help you see who is taking action. Both parties can use this data and form their marketing campaigns around it. But numbers alone will not completely tell the story. Depending on the types of forms or actions you provide the customer, you can learn quite a bit about individuals or groups.

Some merchants provide the affiliate with a form for users to fill out while others simply have a information on the things the groups and individuals purchase. Other merchants might provide the affiliate with a link to join an e-newsletter or a club.

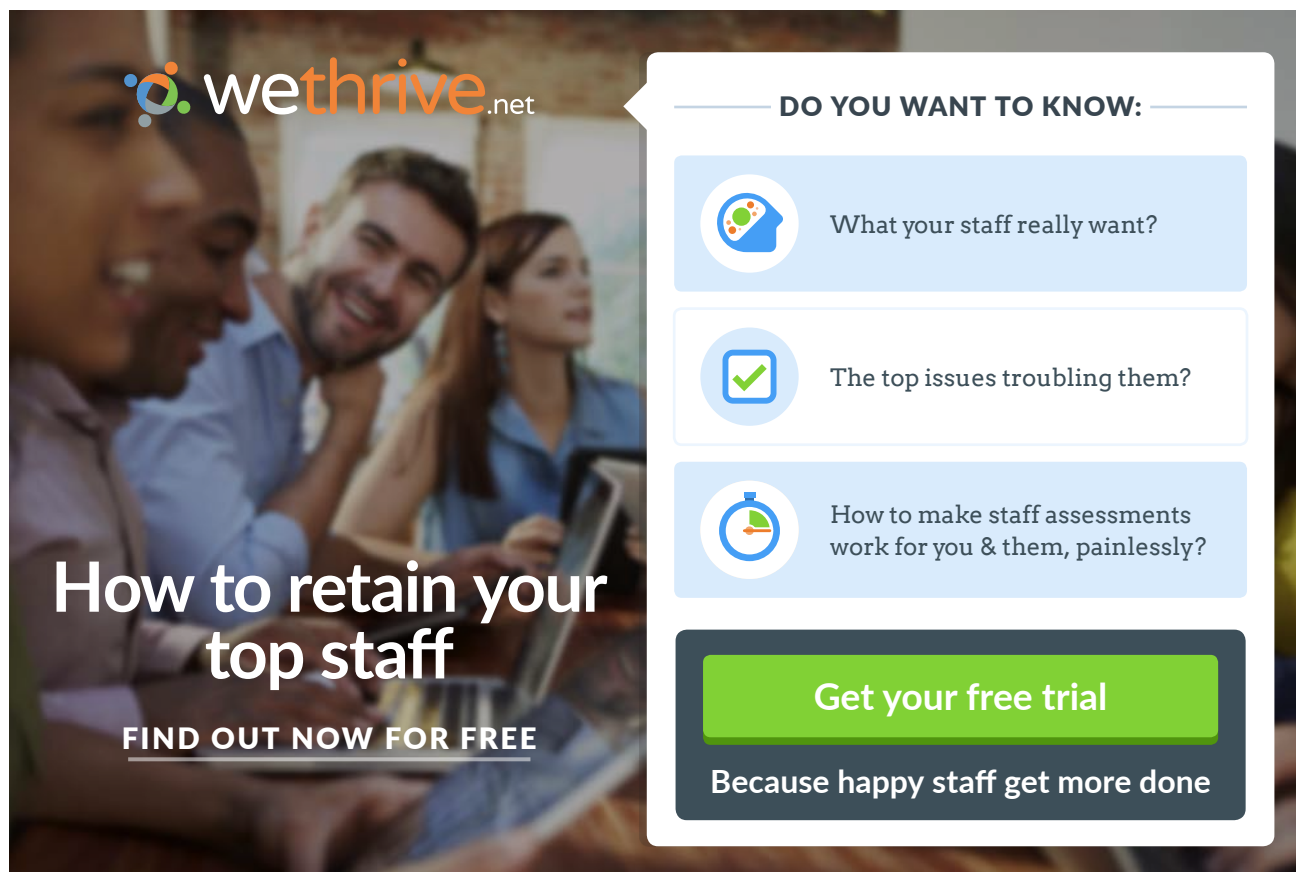
Now, a merchant or affiliate can look at the number of sales in comparison to the data they collected from their customers through various forms. By comparing the data and the number of sales, the merchant can figure out more detailed demographics about their customers which they can then use to determine how much product to put in place for a certain age group, for example. Meanwhile, the affiliate can use the same data to look at another data point, such as click-throughs. He might use that to see if his placement of ads is effective.

4.1.4 Appropriated Shipped Orders

A simple number, this represents the amount of orders that have been shipped in a certain period of time. This number is also used in conjunction with compensation on each sale made, so as to make sure that each sale pays the appropriate amount of money to the affiliate. This could be the standard rate for commission or extra commission for selling a specialty item, for example.

4.1.5 Number of Click-Throughs

This number is very indicative of how well your text link or banner ad is performing. Click-throughs are the number of visitors that came upon your site through your affiliate site. Of course, clicks do not necessarily mean sales. There are a number of factors that affect whether or not a visitor wants to purchase something.



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Click-throughs do not necessarily mean a commission for the affiliate; only a sale means commission.

One of the factors that influences a user to make a transaction includes whether or not the user likes the offer that is being presented to him. If the offer is strong and enticing enough, he will make that purchase. If not, however, he will disregard it and move on from the site.

This is a perfect example of why relevant and valuable content is so important. Internet users have a very short attention span. The attention a user gives to what is in front of their screen is small, so whatever you offer must be good enough for them to stick around.

4.1.6 Number of Impressions

This number refers to the amount of times that a user simply sees a product/service offer. At first, this may not seem like much, but it is worth a lot more than what you might think.

From this number, you can determine how effectively your ads or links are working, especially if you are creating tracking reports on a regular basis. The number of impressions can be compared to the actual number of visitors coming to the site, which can be viewed through a web-analytics program. If the number of impressions is low, but traffic is high, than the placement of your ads could use adjusting. If it is the other way around, you are doing very well with ad placement.

Of course, other numbers like click-throughs and number of sales are just as important, and they must all be used together to build a big picture.

4.1.7 Other Data Points

In addition to all the data points we just listed, there are also pieces of affiliate tracking software that produce more in-depth numbers on your reports, such as conversion rates, keyword searches, referral reports, among many others. Depending on the software you use, you may have to pay extra to get these features.

4.2 Analyzing the Numbers

Since you have a plethora of data points to look at, it might seem confusing at first to make sense of them when looking at them all at once. You might be surprised to learn that it is not all that difficult to measure a particular affiliate's success rate with even the most basic data points at hand.

Here is how it works.

The easiest way to make the calculations and conversions is to lay out a table with columns and rows. The columns should represent weekly, monthly, or quarterly time periods. The rows should represent each of the data points, but we can start off with only two for now: Total Number of Impressions and Total Number of Click-Throughs. For simplicity, do this for only one affiliate site.

4.2.1 Impressions-to-clicks

If you have a table, you can input these numbers according to the period of time which they were taken. The first calculation you would perform is dividing the number of click-throughs by the number of impressions. This will give you a conversion rate, meaning this is the percentage of viewers that clicked on a link. The quotient you attain should be less than one and more than zero, so you can move the decimal spot over two spaces to the right and this will give you a percentage number.

An impressions-to-clicks conversion rate means that users are taking action, but not yet make a purchase.

Now you have a conversion rate for that month or quarter. Go ahead and make that calculation for the rest of the data points and analyze the trend. Is it steadily increasing or decreasing? This number will tell you whether or not people are taking an action. This does not necessarily mean that you have made a sale, only that you have enticed the potential customer with your offer.

This offer may come in the form of a promotional sale or to enter a contest. Either way, it is a good sign that your ads are catching users' eyes.

Clicks-to-sales means that a customer has closed a deal on one of your affiliate sites.

Be sure to read these numbers carefully, though. If impressions go up, but click-throughs stay the same or decline, then user interest is declining. It could also mean that your affiliate has placed your ad on a lower traffic web page. What it eventually means, though, is that you should place your ads in a different spot if click-throughs are not increasing. However, if your impression and click-through numbers do not increase on multiple affiliate sites, this could indicate a problem with your advertisement.

4.2.2 Clicks-to-Sales

After a customer has clicked on your advertisement, he can do one of two things: he can either make the action happen (sale, lead, fill out form), or he will leave. If he takes an action, then you have closed the sale and earned money or collected information. But the important number you need is the percentage of people that close a sale, and here is how we obtain that.

Just like the previous equation, all we have to do is divide the number of transactions (sales) by the number of click-throughs. Again, this will yield a number less than 1 and more than zero, and you will convert this to a percentage by moving the decimal over to the right two spots.

Ask yourself again whether or not the conversion rate is increasing or decreasing over the periods of time. The obvious answer is that an increase is a good thing. You should, however, look closer at the previous conversion rate (Impressions-to-Clicks) if your numbers are decreasing.

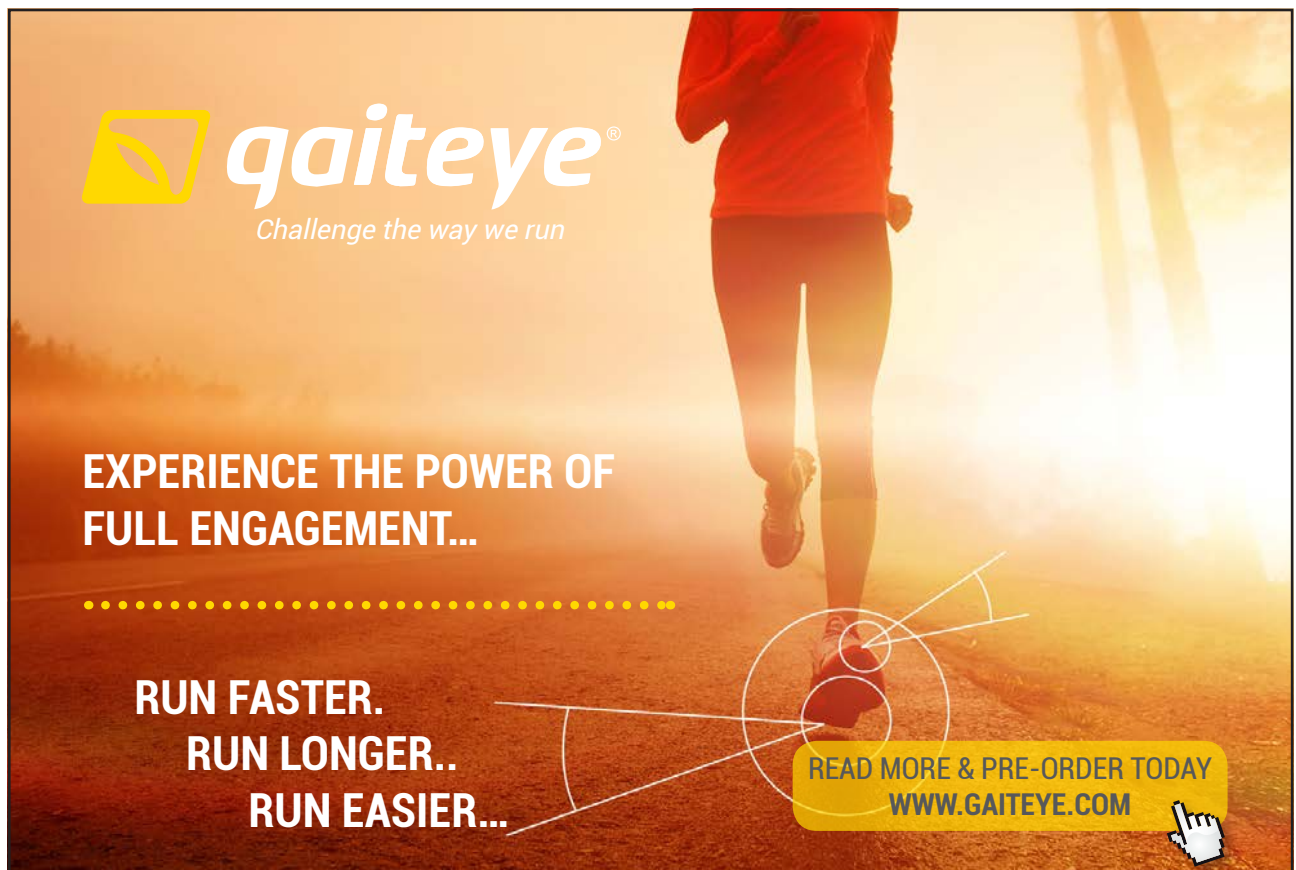
In regards to the transaction rate, you should also look at the transaction rate of other affiliate sites and compare them. See which affiliates are doing better and give priority accordingly. Ultimately, you want the best affiliates working for you, and if they are doing a good job on their end, they will benefit from it. It is a win-win for both sides of the partnership.

4.3 Self-Made Tracking Reports and Third Party Affiliate Tracking

Some people might wonder whether or not they should make their own affiliate programs or outsource the job to another company to analyze the raw data. It is all a matter of preference, but we will look into the pros and cons of both types of programs.

Here are a few criteria to consider between the two.

- Cost
- Exclusivity
- Support
- Affiliate Recruiting
- Tracking



The advertisement for Gaiteye features a background image of a person running on a path during a sunrise or sunset. The Gaiteye logo, consisting of a yellow square icon and the brand name, is in the upper left. Below it, the tagline 'Challenge the way we run' is written. The main text 'EXPERIENCE THE POWER OF FULL ENGAGEMENT...' is followed by a horizontal dotted line. Below this, the phrases 'RUN FASTER.', 'RUN LONGER..', and 'RUN EASIER...' are listed. A target graphic with concentric circles is centered on the runner's feet. A yellow button in the bottom right corner contains the text 'READ MORE & PRE-ORDER TODAY' and the website 'WWW.GAITEYE.COM', with a hand cursor icon pointing at it.

gaiteye®
Challenge the way we run

**EXPERIENCE THE POWER OF
FULL ENGAGEMENT...**

**RUN FASTER.
RUN LONGER..
RUN EASIER...**

**READ MORE & PRE-ORDER TODAY
WWW.GAITEYE.COM**

4.3.1 Self-Made Affiliate Tracking Reports

When making your own self-made affiliate tracking reports (or affiliate program, for that matter), there are opportunity costs and expenditures to keep in mind if you decide to take this route. What this means is that, while you are saving money by not hiring a third-party affiliate company, you should still consider the amount of time you have to take to do it for free.

The Pros

- No startup fees
- Do not have to pay third-party a percentage of commissions made
- No extra cost by doing it yourself

The Cons

- Massive amounts of data and checks to be handled alone
- You must find the affiliates yourself, one by one
- Handle IT problems alongside other problems as well

4.3.2 Third Party Affiliate Tracking

Just as a self-made affiliate tracking report has its pros and cons, so does having a third party that takes care of your tracking reports. Here are a few of the pros and cons of having a third party producing your tracking reports.

The Pros

- Tracking Reports produced and calculated quickly
- Puts you in a directory for other affiliates
- Provides IT and affiliate support
- Handles transactions with affiliates

The Cons

- Some may want you to stay exclusive to them
- Percentage of commission has to be paid to affiliate tracking company
- You must pay more for advanced features

Most startups probably prefer to have a third party take care of affiliate tracking, as well as all other affiliate marketing related properties. Cost is one of the biggest concerns about using a third party, so here is a list of free or low costs alternatives to third party affiliate management software.

- Post Affiliate Pro
- eLitius
- Has Offers
- Cosmic Affiliate Click
- Click2Sell

For some of the more advanced features not normally found in the basic affiliate tracking reports, here is a brief list of affiliate management software that have them. They do, however, cost extra to use.

- iDevAffiliate
- AffiliateWiz
- Interneka
- OSi Affiliate
- Pro Track Pro

Ultimately, the decision is up to you to use any of these pieces of software. The higher cost pieces of software are more often used by larger companies who can afford the cost and attain revenue to make up for it. The lighter versions of these third party affiliate management software provides a more inexpensive route to become a successful affiliate marketer.

5 Affiliate Payment Plans

As you may have already guessed, payment plans between affiliates can vary greatly. This could be a result of the affiliate's desires, but it can also be because of the payment plan agreed on with the original affiliate agreement that you made earlier. There are also smaller things that you will negotiate with the affiliate concerning payment plans, like frequency of payment and whether you will cut them a larger check for higher sales.

In this chapter, we will discuss affiliate payment programs and affiliate payment plans.

5.1 Types of Payment Programs

The payment program you choose for your affiliates is highly dependent on the type of product or service that you are selling. Some programs work better than others for certain products, and they call for paying a commission based on the most likely type of action or lead they can get.

In this first section, we will discuss the types of payment programs that affiliates can be paid through and what suits the relationship between merchant and affiliate.

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Here is a brief list of some common affiliate payment programs:

- Pay-per-sale
- Pay-per-lead
- Pay-per-click
- Customer Acquisition
- Residual Earnings
- Two-Tier Programs

5.1.1 Pay-per-sale

This type of payment program is a simple payment system that pays a fee to the affiliate every time a sale is made on the merchant's website as a result of a referral. The system is simply commission based, with some offering the commission as a flat percentage, regardless of how much inventory was sold. Some, however, have a sliding-scale for their commissions. This means that the more referrals an affiliate makes, the higher percentage commission they receive.

While some pay-per-sale systems offer a flat percentage fee for each sale, other offer a sliding scale and pay higher percentage for higher sales.

This is good for both merchant and affiliate. The affiliate has an incentive to make referrals because he gets more money, and the merchant benefits by getting more traffic. It is another win-win situation.

5.1.2 Pay-per-lead

There are some programs available that produce leads for affiliates and merchants. But what is a lead? A lead is a potential customer that a merchant can follow up on (for example, from a survey he took or a contest he entered) to try and sell to later on. This type of model works much better when the merchant has a product that does not sell well on the Internet. Cars for example, are one inventory item that is well-suited for this model.

Car dealers are more likely to have a pay-per-lead program because they can't make the sale online, but they can follow up on customers.

5.1.3 Pay-per-click

Another simple payment program, it simply means that an affiliate gets paid a small fee whenever one of his users clicks on the merchant's links or banners, regardless of whether the customer takes any further action. The advantage for affiliates is that they get paid regardless, but this is a disadvantage for merchants because they must pay, even if they do not complete a sale.

This type of payment program, however, is not used as often these days because of past fraudulent behavior by affiliates that manipulated their payments by having other people click on the banner or ad just to inflate their pay.

5.1.4 Customer Acquisition

Otherwise known as bounty programs, affiliates only get paid once for each customer they refer to their merchant's site. This may sound a bit like the pay-per-sale model, but it differs in that the customer that is referred signs up for some kind of account for the merchant. In that sense, it is like the merchant collected a bounty from the affiliate.

Large websites often do this with smaller websites who offer the same kind of inventory. The larger merchant will pay the smaller affiliate to purchase a referral.

5.1.5 Residual Earnings

Much like the Customer Acquisition model, Residual Earnings works in a similar manner. This time, though, the affiliate does not get paid only once for the referred customer, such as when a customer signs up to a monthly membership program that charges a regular fee. The affiliate would get residual earnings every month that the customer remains enrolled in the program. His pay is spread out over a more long term scale and he usually gets paid significantly less as time goes on. However, the earnings can add up significantly if customers remain members or subscribers for a long enough period of time.

5.1.6 Two-Tier Programs

Two-tier programs work by affiliates referring other affiliates on with the same merchant. Affiliates who sign another on with their merchant receive a commission for every referral they bring. Additionally, if the referred affiliate, in turn, refers someone else, the original affiliate receives another sum of money, though smaller than for someone they recruited themselves.

5.2 Types of Payment Plans

Now that we have talked about the common payment programs out there, let's look at some of the factors that go into deciding how and when an affiliate is paid for his referrals or leads. Here are the common factors that merchants take into consideration:

- Minimum Payment
- Payment Frequency
- Sliding Commission

5.2.1 Minimum Payment

Merchants must decide on a minimum amount that an affiliate must earn before cutting a check for those earnings. This could be as low as a few dollars or it could be significantly higher. Either way, the affiliate has to earn that minimum amount of money in order to get paid at all, so this could be seen as an incentive for the affiliate to make money and do the work he signed on to do. After all, you do not want poor performing affiliates on your team. Of course, it must be a moderate balance so that the affiliate believes the minimum amount of earnings is possible to earn, yet a high enough amount to provide the affiliate with enough incentive to do the work needed to provide you with new customers.

5.2.2 Payment Frequency

Usually, the payment frequency merchants pay to their affiliates is monthly and sometimes quarterly. Doing monthly checks allows the delay in check processing to give you some time in case there is a problem with revenue that needs to be fixed. For example, if a customer purchases a large order and then returns it all, you will have time to adjust the affiliate's pay to make up for that return.

5.2.3 Sliding Commission

As we mentioned earlier in the book and in this chapter, some affiliates get paid per sale, but if they increase their sales a significant amount, they get paid an even higher percentage of commission for the sold item. This is quite an effective payment plan to have because it gives affiliates an incentive to give you referrals. Their incentive is that they will get a higher payout to do so. Your affiliates will work harder, and you will then reap the benefits as well with more traffic.



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6 Becoming an Affiliate

So far in this ebook, we have talked about the prospect of gathering affiliates and creating an affiliate program of your own. But ask yourself this: what if you were to switch roles and become the affiliate for someone else?

Users value content even more so today than ever before, making content an important part of Internet marketing.

The Internet is all about content, and in an increasingly connected world, linking and connecting to the right websites and users has become so much more important. Think about social media as well. Perhaps there is not a day that goes by where web surfing has not brought you across a page that links to Facebook profiles or allows you to retweet a popular news story or blog. Even bloggers have links, whether with an affiliate or not, connecting to web sites they deem reputable in some way or another.

The power of having websites link to your site is strong whenever the linked site or the original site has good content. Additionally, the content generated by users is much more valuable nowadays than before because of its accessibility. Users value good content, and if you can deliver that as either a merchant or an affiliate, you will be able to make your affiliate marketing strategy that much better.

In this chapter, we will talk about becoming an affiliate and the steps to be an effective affiliate.

6.1 Why Become an Affiliate?

In the introductory chapter of this ebook, we talked about how the collaboration between merchant and affiliate should take place between two sites that have some kind of relevance to one another. We gave the example of a dog food merchant gaining an affiliate in a website that hosts forums and discussions for dog owners. What we did not mention was that in addition to the shared context of the sites, there is common content as well.

Being an affiliate allows exposure and builds a reputation with merchants by providing them with even more traffic.

Having similar content to one another will allow complimentary collaboration between affiliates and merchants. You build a network because of the similar content that all entities share, and by becoming an affiliate for some other sites, you can gain more prospects in addition to the ones you gain by being a merchant with affiliates.

Additionally, adding valuable content makes you priceless to merchants because you help them out by building your own reputation. Being connected to you means that their reputation also gets raised. It is a win-win situation on both sides.

There are also some other added benefits to becoming an affiliate. Let's take a closer look at these.

6.1.1 Added Income

As the merchant, you have to pay an affiliate to place your links and banners on their web page. Now, it can be your turn to have those links and banners posted to your site. Best of all, you get paid to do it.

So what does this added income mean for your company and website? In a roundabout way, it means that your advertising costs could be balanced out by the revenue you earn from merchants paying you as an affiliate. Even if you already do well with your advertising costs (through whatever Internet marketing strategy), it can still help you out by allowing you to spend a little extra money to test out new marketing strategies or tools.

6.1.2 It is Free

As you may have already guessed, becoming an affiliate for another merchant costs nothing to you. And with the added income from referrals to your merchants, that income is nothing but profit. Adding valuable content can be a cost, but definitely worth the time to put in the effort.

Not only do you have an added income by being an affiliate, but it is also a service that is free of cost and allows a boost in reputation.

There are a vast number of types of affiliate programs you can join. The key to picking the right affiliate program is knowing the audience you are reaching out to. What other sites does your targeted audience visit? What kind of content are they looking for? Who do they trust?

These types of questions are good to ask when getting into the affiliate field because, as we explain in the next subsection, it is a learning tool.

6.1.3 It is a Learning Tool

When you and your company join affiliate programs, you start to find out which merchants are right for your company's image and reputation. You also find out which ones yield the most traffic, which is another incentive for you to do well as an affiliate. Additionally, you learn how valuable your content is and who trusts it.

It is also a good idea to have multiple members of the company join affiliate programs if they have a website or social media profile. This will increase the company's knowledge on their demographics and increase the opportunity for providing valuable content to users.

6.2 The Types of Affiliate Programs to Join

If you are joining an affiliate program for the first time, you may not quite know just yet what kind of content or websites your targeted demographics value. Do not worry, though, because joining an affiliate program requires patience and some basic trial and error.

However, there are a few options to consider using when picking an affiliate program. We will go into more detail with the following list.

- **Consumer Reviews** – Linking to customer review sites is a pretty valuable affiliate relationship to begin with. Users value content, especially when they feel that the content comes from someone like them. Most sites that offer a product or service allow comments to be made, but if you do not have a comment section for your website just yet, this is a great alternative. Encouraging users to leave feedback on a customer review site works in your best interest because it gives your merchant higher yields of traffic and makes you trustworthy in the eyes of the consumer.
- **Search Engines** – If you have ever looked at some part of a web page and seen a Google search bar, it is because the site became an affiliate for Google. Whenever a site has one of its users search for something through that search bar, it gets paid for every search. This is a great affiliate program choice because the user may be looking for something on your site and, perhaps, could even find it through that search bar. Additionally, the user could find other related content from other sites.
- **News Web Sites** – News is a valuable genre of writing. However, that is not to say that all news is good news. After all, some sources have a highly regarded reputation while others may not live up to certain standards. If you are selling a certain product or service, it may be a good idea to find an affiliate program that links to a site with news stories related to that product or service. You should find a news web site that is both reputable and in the same context as your own company. Creating valuable content also creates a synchronized link between you as an affiliate and the news web site. If users see both you and the news site with good, valuable content, they will trust both and keep coming back to both of you.
- **Local Business Site** – Perhaps your business is in a particular area and you want to expand your horizons to make your presence in that locality known. Becoming an affiliate for a local business web site is a good strategy because your users will have a way to find out more about their area and businesses like yours that they might also need.
- **Article Directories** – In the same vein as a news web site, article writing is a valuable genre of writing as long as you link to the right article. Again, not every directory will be reputable, so finding one that is in sync with your company is important. Articles provide objective and informational material, so you should find a site that specializes in writing about the kind of product or service you sell. Additionally, you could also consider writing articles yourself.

Before diving into an affiliate program, you must think about whether or not the program is in the same context as your web site and company. Does it have the type of content you want your users to see? Do your customers trust sites like these? Would you gain or lose customers by having advertisements for these types of sites? Think them through, and as always, have the patience to experiment some with trial and error until you know what your customers want and will respond to.

Resources

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